Country Tax Guide: Germany

About this Guide:

This guide is based on information provided by international tax experts at IBFD to provide employers with a general overview of the tax treatment of key benefits in kind granted to resident employees. It is intended to offer practical insights to help multinational employers better understand potential tax implications when structuring benefit programs in-country. The guide does not include different tax concessions granted to non-residents and/or expatriates, tax reliefs employees may claim in their own tax returns, option arrangements and low interest bearing loans. While the content reflects extensive research and the expertise of IBFD, it is provided for informational purposes only and does not constitute formal tax advice. Employers are strongly encouraged to consult qualified tax advisors for guidance tailored to their specific business operations, workforce profile, and benefits design in the relevant jurisdiction.

Source of Information

The treatment and valuation of benefits in kind is included in section 8 of the Income Tax Act (*Einkommensteuergesetz, EStG*). In addition, the value of benefits in kind in form of accommodation and free meals provided by the employer is determined according to special rules and fixed amounts provided in an annually updated ordinance (*Sozialversicherungsentgeltverordnung*, SvEV) . Further, section 3 of the EStG provides for selected benefits in kind which, if granted by the employer in addition to the regular wages owed, are either fully exempt or exempt up to a certain amount. Benefits provided by the employer (or by a third party at the employer's instigation (either as benefits in kind or allowances) are deemed to be provided in addition to the regular wages owed only if:

- the benefit is not offset against the claim to regular wages;
- the claim to regular wages is not reduced in favour of the benefit;
- the usage- or purpose-specific benefit is not granted in place of an already agreed future increase in wages; and
- wages are not increased when the benefit ceases.

Main principles

The main rule is that all benefits granted to an employee are taxable at their fair market value. Furthermore, if the employee buys himself the benefit and subsequently re-charges it to the employer, the whole amount will be regarded as taxable income. Any notional account allocating funds will be fully taxable for the employee.

If the employer grants the benefit at a reduced price, the benefit is valued at the difference between the amount paid by the employee and the market price. However, no income tax is assessed if the difference does not exceed EUR 50 per month for all benefits received. In other words, an employer can grant to its employees benefits in kind with a value of up to EUR 50 each month which is tax exempt for the employee. If the threshold of EUR 50 is exceeded in a given month the total value of the benefit in kind becomes taxable income for the employee.

If the employer grants its employees vouchers, payment cards or cash cards, these benefits may qualify as a benefit in kind and also benefit from the EUR 50 exemption threshold, if the following consecutive requirements are met:

1. The vouchers or cards must be provided to the employee in addition to the regular wages owed (see above for definition);
2. The vouchers or cards exclusively entitle the employee to obtain goods or services from the employer or a third party;
3. The vouchers and cards must meet requirements set out in section 2(1) No 10 of the ZAG (*Gesetz über die Beaufsichtigung von Zahlungsdiensten*, ZAG). This means that the vouchers and cards must qualify as either closed-loop cards or controlled loop cards. Closed-loop cards allow an employee to purchase services and goods only from the issuer of the voucher. Controlled loop cards are cards, which entitle the employee to purchase services and goods from a limited number of selected acceptance points using the cash or voucher card; and
4. The payment method cannot be exchanged into cash and the user may not receive back money for the excess payment made.

The tax authorities issued official guidance on the distinction between cash benefits and benefits in kind, in particular if granted in the form of vouchers or cash cards (https://lsth.bundesfinanzministerium.de/lsth/2024/B-Anhaenge/Anhang-24-Druck/VII/anhang-24-VII.html).

If an employee receives goods or services as part of his salary, which are produced, sold or provided by the employer not only for the needs of the employees, the respective benefits in kind are tax exempt up to EUR 1,080 per year. The value of such benefits in kind is determined by reducing the market price by 4%.

Benefit types

Meals

Free meals or meal vouchers are valued in accordance with an annually updated ordinance (*Sozialversicherungsentgeltverordnung*, SvEV). Accordingly, a free breakfast is valued at EUR 2,30 as a benefit in kind in 2025. A free lunch or a free dinner is valued at EUR 4,40 as a benefit in kind in 2025.

Cars

A company car is a taxable benefit. The value of the benefit is the expenditure which the employee would have incurred in owning a private car of the same type. There are two ways of determining the value of the benefit.

Under the first method, the total expense for the year is allocated on the basis of the ratio of private to total kilometres as shown in a logbook. The resulting value of the benefit is then reduced by any expenses borne by the employee (e.g. petrol, garage, cleaning). Commuting between home and work is allocated to private kilometres.

Under the second method which is mostly used, the monthly benefit is valued at a flat 1% of the car dealer's list price on first registration plus the cost of accessories (e.g. radio, special tyres, etc.), plus VAT. In addition, a taxable benefit in kind of 0.03% of the list price per kilometre of the distance between home and work (one way) per month is subject to wage tax in respect of commuting between home and work. In addition, a flat rate of 0.002% of the list price per kilometre between home and work is used to evaluate the benefit of using the company car for home leave purposes in the framework of maintaining a double household in excess of one home leave per week. The tax value is reduced for all-electric vehicles and plug-in hybrid vehicles

Any allowance given by the employer for such travelling costs is a fully taxable benefit.

Commuting

- joint transport between work and lodging arranged by the employer is tax-exempt.
- public transportation tickets paid or subsidized by the employer are tax-exempt, if provided in addition to the regular wages owed (see above for definition).
- the employer may also provide tax-exempt benefits in kind in the form of company bicycles to the employees, provided the benefit comes in addition to the regular wages owed (see above for definition)
- Otherwise, commuting expenses paid by the employer are fully taxable.

Childcare

- In addition to the regular wages owed, benefits provided by the employer for the accommodation and care of employees’ non-school-age children (in general below the age of 6 years) in kindergartens or comparable facilities are tax-exempt.
- Otherwise, childcare is a taxable benefit for the employee.

Well-Being

In addition to the regular wages owed, benefits provided by the employer for the prevention and reduction of health risks and for the promotion of health in workplaces are tax-exempt for up to EUR 600 per calendar year, provided that they meet the requirements of quality, intended purpose, focus, and certification in accordance with Sections 20 and 20b of Book Five of the Social Code (*Sozialgesetzbuch V*, SGB V).

These include for example courses related to stress management and resource strengthening, instruction and practical training in relaxation techniques (for example, autogenic training and progressive relaxation, Hatha Yoga, Tai Chi, and Qigong), promotion of movement-friendly work, physically active employees or guided health sports activities to reduce lack of exercise (for example, workplace gymnastics, compensatory exercises, strength training using up to 50% of equipment, endurance training including in water), healthy eating in everyday work, or behaviour-based addiction prevention in the workplace.

Not covered by the tax exemption are, in particular membership fees for sports clubs, fitness studios, and similar facilities and measures solely for learning a sport.

Other services and/or goods are taxable.

Tuition Assistance:

Tuition provided to the employee’s minor children constitutes a taxable benefit, if provided. A part-time degree course for the employee can be regarded as professional development and further training provided by the employer if it is intended to increase the employee's employability within the company. If this is the case, the employer's payment of tuition fees for this degree course does not constitute wages for the employee, as it is carried out predominantly in the employer's own interest.

Other Benefits, If Any

Accommodation: Taxable benefit in kind. The value is determined in accordance with an annually updated ordinance (*Sozialversicherungsentgeltverordnung*, SvEV) and depends on certain factors, e.g. the size of the accommodation.

Phone: the benefits enjoyed by the employee from the private use of company data processing equipment and telecommunications equipment and their accessories, including mobile phones, are tax exempt.

In addition, the following benefits are tax-exempt:

- an anniversary present or other small gift (with a value of up to EUR 60) that is not in money or in a comparable form;
- subsidized or free charging of electric vehicles at the employer's facilities, if provided in addition to the regular wages owed.

Procedures

Benefits which are (partly) taxable for the employee need to be included in the salary statement and are subject to wage withholding obligations.

There is no information about special spending accounts granted to employees. If such an account is set, the full amount is taxable for the employee.

The information contained in this country tax guide has been provided by the international tax experts at IBFD based on available data as of August 2025.

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